



California Federal Bank
A Federal Savings Bank
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San Francisco, CA 94105-1817

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September 27, 2000

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
Attention: 1550-0023
1700 G Street, NW.
Washington, DC 20552

2000 OCT - 3 P 3:11
DISSEMINATION
OFFICE OF THRIFT SUPERVISION

Re: Proposed Changes to the Thrift Financial Report
(OMB No. 1550-0023; OTS 1313)

Dear Sir or Madam:

This letter is submitted by California Federal Bank ("Cal Fed") in response to the Office of Thrift Supervision's ("OTS") proposed changes to the Thrift Financial Report ("TFR") that were published in the Federal Register on August 4, 2000 (the "Proposal"). We appreciate the opportunity to comment on the Proposal.

In general, Cal Fed does not believe that the additional benefits that would be derived by the OTS in collecting the information specified in the Proposal would justify the additional one-time costs of modifying accounting and operational systems and the on-going costs of collecting the information. Our comments on specific proposed changes follow:

Nontraditional Lending – Subprime loans (1b)

The OTS has not proposed, and Cal Fed does not believe that there is, a workable definition for subprime loans. A workable definition is necessary in order for institutions to prepare the TFR. Institutions must have a clear understanding of the definition of a subprime loan in order to determine the exact amount of loans to characterize as subprime.

If a workable definition of subprime loans were possible, and if this information was required to be reported in the TFR, institutions would then be forced to allocate significant resources to identify and classify existing loans in accordance with this definition. Most of the proposed criteria, while found in the physical loan file, is not maintained by most lenders in their automated loan portfolio systems.

While the interest rate and loan-to-value ratio data are maintained in most loan portfolio systems, data related to FICO scores, debt-to-income ratios, delinquency history, bankruptcy status, and credit history is generally not maintained on such systems. Institutions would first have to reprogram their systems in order to provide fields for the maintenance of this data. Second, they would be forced to retrieve loan files from loan vaults and manually recreate this data in an automated form. Finally, their reporting systems would have to be updated to permit institutions to monitor and evaluate the data collected on subprime loans on an ongoing basis.

Cal Fed believes that the abuses associated with subprime lending have been perpetrated by non-regulated lenders. The proposed approach of requiring federally regulated insured depository institutions to allocate significant resources to resolving a problem associated with non-regulated institutions would place insured depository institutions at a further disadvantage vis-a-vis non-regulated lenders and would seem to be contrary to the goal of making credit available to all segments of the community.

Definition of Mortgage Loans (4)

Cal Fed agrees with the redefinition of mortgage loans to include all loans predicated upon a security interest in real property, that is, loans secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit. However, we note that the Proposal continues to permit certain real estate secured loans to be reported as nonmortgage loans, where the loan is substantially secured by other than real estate, and where the mortgage was taken as an abundance of caution.

We concur that this change will put virtually all mortgages together in the same location on the balance sheet and will make the TFR consistent with the Call Report.

Junior Liens (5)

Cal Fed agrees with the Proposal to add a breakdown between first liens and junior liens in the category "Permanent Mortgages" on 1-4 dwelling units. The addition of this line item will permit the OTS to more effectively monitor the potentially riskier junior lien market and will provide greater consistency with the Call Report.

Board of Directors IRR Limits (14)

Board established IRR limits are confidential information and should not be included in any public sections of the TFR. The implementation of this recommendation, along with many other recommendations, will permit the OTS to more cost effectively perform their monitoring function in an off-site manner. We therefore assume that providing this data for off-site review will result in fewer on-site examination hours. This reduction in on-site examination hours should be clarified

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in subsequent revisions to this document. There would be no benefit to providing this data if it does not result in a reduction of on-site examination hours.

Transactions with Affiliates (20)

Much of the information related to transactions with affiliates, proposed to be requested in Schedule SI of the TFR, is already captured in reports on OTS Form H-(b)11. We therefore recommend that off-site examination staff refer to the H-(b)11 for this information.

We hope that our comments are helpful and appreciate the opportunity to comment on the Proposal. If you have any questions regarding this letter, please feel free to contact the undersigned at (415) 904-0347.

Sincerely,



Renee Nichols Tucei
Executive Vice President and Controller